

CITY OF GRUNDY CENTER, IOWA
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
June 30, 2004

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CITYOFGRUNDYCENTER

Officials

<u>Name</u>	<u>Title</u>	<u>TermExpires</u>
JackStumberg	Mayor	January2006
MikeOglesby	CouncilMember	January2006
JohnKramer	CouncilMember	January2006
JackBienfang	CouncilMember	January2008
PaulSealman	CouncilMember	January2008
WilliamHalbach	CouncilMember	January2008
RichardRiesberg	CityClerkandTreasurer	Indefinite
BradHarris	CityAttorney	Indefinite

CITYOFGRUNDYCENTER

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
Grundy Center, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Grundy Center, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the City of Grundy Center's basic financial statements listed in the table of contents. These basic financial statements are the responsibility of the City of Grundy Center's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, Chapter 1 of the Code of Iowa, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The financial statements referred to above do not include the financial activities of the Grundy Center Municipal Power & Light Company component unit. If the omitted component unit had been included, receipts and disbursements of the enterprise funds would have increased by \$4,588,366 and \$4,209,241, respectively. If the component unit had been included, there would have been an excess of receipts and other financing sources over disbursements and other financing uses of \$435,693, and the ending enterprise funds balance would have been \$6,624,086.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Grundy Center as of June 30, 2004, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

As discussed in Note 11 to the financial statements, during the year ended June 30, 2004, the City adopted Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*; Statement No. 38, *Certain Financial Statement Note Disclosures*; and Statement No. 41, *Budgetary Comparison Schedule - Perspective Differences* for the fiscal year ending June 30, 2004.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 11, 2004 on our consideration of the City of Grundy Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 11 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the aforementioned financial statements taken as a whole. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplemental information included in Schedules 1 through 7, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated in all material respects in relation to the aforementioned financial statements taken as a whole.

Clifton Gunderson LLP

Cedar Rapids, Iowa
August 11, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Grundy Center provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

Because Grundy Center is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the City's financial position and results of operations.

2004 Financial Highlights

Revenues of the City's governmental activities increased 1.52% or approximately \$24,000 from fiscal 2003 to fiscal 2004. Property Tax Collections increased approximately \$12,000, Tax Increment Financing collections decreased approximately \$26,000 and Intergovernmental revenues increased \$137,000.

Disbursements decreased 7.5% or approximately \$200,000 in fiscal 2004 from fiscal 2003. There were decreases in Public Safety and Capital Projects of approximately \$36,000 and \$448,000 respectively. Budget areas seeing increased expenditures were: Public Works (\$126,000); Culture and Recreation (\$11,000); and Community and Economic Development (\$39,000).

The City's total cash basis net assets increased 22.9% or approximately \$348,000 from June 30, 2003 to June 30, 2004. The increase in assets can mainly be attributed to the receipt of bond proceeds in the amount of \$268,000 on June 30, 2004 and the increase in Ambulance Reserves of approximately \$66,000.

Using This Annual Report

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statements consist of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information provides detailed information about the non-major governmental funds.

Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on the cash basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable, and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

is of cash receipts and disbursements and the at basis. The cash basis of accounting does not e, and accrued items. Accordingly, the financial sults of operations of the funds in accordance with

Reporting the City's Financial Activities

Government-wide Financial Statement

One of the most important questions asked about the City's finances is "Is the City as a whole better off for worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information that helps answer this question.

City's finances is "Is the City as a whole better es?" The Statement of Activities and Net Assets

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

the City's net assets. Over time, increases or seful indicator of whether the financial position of

The Statement of Activities and Net Assets is divided into two kinds of activities:

ed into two kinds of activities:

Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property taxes, sales tax collections, and State/Federal grants finance most of these activities.

ic works, culture and recreation, community and ice and capital projects. Property taxes, sales ost of these activities.

Business Type Activities include the water works, the department, and ambulance service. These are financed primarily by user charges.

es anitary sewers system, the sanitation ced primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

Governmental Funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: the General Fund, the Special Revenues Fund, the Debt Service Fund, the Capital Projects Funds, and the Permanent Funds. The governmental fund financial statements provide a detailed, short-term view of the City's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

asics services. These focus on how money at year-end that are available for spending. The Special Revenues Fund, the Debt Service Fund, . The governmental fund financial statements eneral governmental operations and the basic n helps determine whether there are more or near future to finance the City's programs.

The required financial statements for governmental funds include a statement of cash receipts, disbursements, and changes in cash balances.

funds include a statement of cash receipts,

Proprietary Funds account for the City's Enterprise activities. The City maintains several Enterprise Funds and are used to report the business type water, sewer, and sanitation funds, which are considered to be major funds of the City.

Funds and are used to report the business type Fundsto provide separate information for the dered to be major funds of the City.

The required financial statements for proprietary funds include a Statement of Cash Receipts, Disbursements, and Changes in Cash Balances.

unds include a Statement of Cash Receipts,

Reconciliations between the government-wide statement and the fund financial statements follow the fund financial statements.

nt and the fund financial statements follow

Government-wide Financial Analysis

Net assets may serve over time as a useful indicator for governmental activities increased from a year analysis that follows focuses on the changes in

financial position. The City's cash balance goes, increasing from \$504,894 to \$786,990. The balances for governmental activities.

	<u>General Fund</u>	<u>Special Revenues</u>		<u>Capital Projects</u>	
		<u>Road Use Tax</u>	<u>Special Revenue</u>	<u>Continuing Projects Fund</u>	<u>Other</u>
Cash Balance as of:					
6/30/2003	\$ 34,475	\$ 295,243	\$ 28,170	\$ 15,197	\$ 133,146
6/30/2004	<u>4,875</u>	<u>316,973</u>	<u>10,907</u>	<u>271,721</u>	<u>182,514</u>
Change in Balance Positive/Negative	<u>\$ (29,600)</u>	<u>\$ 21,730</u>	<u>\$ (17,263)</u>	<u>\$ 256,524</u>	<u>\$ 49,368</u>

The City's total receipts for governmental activities of all programs and services decreased by approximately \$247,000 or 13.7%, with no new programs added this year. The significant increase in receipts was primarily the result of State funds for the housing rehabilitation program and a tax increment

es increased by 1.5% or \$23,680. The total cost was primarily the result of State funds for the financeloan.

The City increased the property tax millage for 200 residential properties was offset by an increase in and increased assessed valuations of all classes of additional \$12,000 in property taxes for the General Fund.

4 by 3.9%. The increase in millage for the roll back amount. When the increased millage properties are considered the city collected an l Fund, Special Revenue Fund, and Debt Service

The cost of all governmental activities this year was \$1,570,089 compared to \$1,804,066 last year. The Statement of Activities and Net Assets on pages 13-16 reveals that the amount the taxpayers ultimately financed for these activities was only \$1,018,632 because some of the cost was paid by those directly benefited from the programs or by other governmental agencies and organizations.

as \$1,570,089 compared to \$1,804,066 last year. 13-16 reveals that the amount the taxpayers 1,018,632 because some of the cost was paid by her governmental agencies and organizations.

The business activities receipts for the fiscal year were \$803,484 compared to \$670,571 last year. This increase in revenues was due to changes in the Ambulance billing system. Total disbursements increased by \$65,289 from \$852,084 for fiscal year 2003 to \$917,373 for fiscal year 2004

were \$803,484 compared to \$670,571 last year. Ambulance billing system. Total disbursements 2003 to \$917,373 for fiscal year 2004

Individual Major Government Fund Analysis

At the end of the fiscal year the City of Grundy Center had a combined \$786,990 in its Governmental Funds, this represents a change of \$280,759. The following are the highlights of the changes to the balances from last year's activities :

nter had a combined \$786,990 in its 0,759. The following are the highlights of the :

The Road Use Tax Fund increased by approximately \$20,000. We are continuing to build up the fund in anticipation of paying for costs related to repairs to Highways 14/175 from the west end of town to 4th street.

0,000. We are continuing to build up the repairs to Highways 14/175 from the west end of

On June 30, 2004 we received Bond Revenue of \$268,000 for improvements related to a new housing addition in Grundy Center. The funds will be used for the public improvements in this new addition.

00 for improvements related to a new be used for the public improvements in this new

Individual Major Business Type Fund Analysis

The Water Fund continues to decrease as expenses have climbed faster than revenues. A major project to create a citywide loop has now been completed. During the year the Council passed an ordinance to increase rates in three phases. The balances should begin to increase again next fiscal year.

ve climbed faster than revenues. A major project to create a citywide loop has now been completed. During the year the Council passed an ordinance to increase rates in three phases. The balances should begin to increase again next fiscal year.

The Sewer Fund has seen major expenses for the update and maintenance of these sewer treatment plant. The plant was originally built in 1983 and many of its components are now reaching the end of their useful life. Capital expenditures totaled approximately \$65,800 for this fund.

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The Sanitation Fund continues to increase its balance. A recent change by the Grundy County Landfill will reduce the amount that the City has to pay as a side effect of post closure costs at the landfill. But the City is expecting increased costs with its efforts to deal with the disposal of yard wastes.

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Budgetary Highlights

During the year the budget was amended twice. On September 15, 2003 the budget was reduced to reflect the loss of State of Iowa property tax credit for all general fund departments. On May 17, 2004 the budget was amended to reflect additional expenses in several areas. The total increase in expenditures was \$12,130 and revenues were increased by \$9,500. The city had cash reserves to cover the \$2,630 shortfall.

September 15, 2003 the budget was reduced to reflect the loss of State of Iowa property tax credit for all general fund departments. On May 17, 2004 the budget was amended to reflect additional expenses in several areas. The total increase in expenditures was \$12,130 and revenues were increased by \$9,500. The city had cash reserves to cover the \$2,630 shortfall.

Debt Administration

As of June 30, 2004 the City of Grundy Center had approximately \$1,173,000 in bonds and other long-term debt. This amount is approximately \$176,000 more than a year ago as is shown below.

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Outstanding Debt at Year-End (Expressed in Thousands)

	June 30	
	<u>2004</u>	<u>2003</u>
General Obligation Bonds-Sanitary Sewers	\$ 385	\$ 400
General Obligation Bonds-Fire Station	198	231
Urban Renewal Tax Increment Financing Revenue Bonds	<u>590</u>	<u>366</u>
Total	<u>\$ 1,173</u>	<u>\$ 997</u>

Debt increased in the last year as a result of issuance of a \$268,000 tax increment revenue note for the costs related in developing a new housing addition in town. The State limits the amount of debt a city can carry to no more than 5% of the assessed value of all taxable property within the City's corporate limits. That limit is approximately \$4,500,000.

ing a \$268,000 tax increment revenue note for the costs related in developing a new housing addition in town. The State limits the amount of debt a city can carry to no more than 5% of the assessed value of all taxable property within the City's corporate limits. That limit is approximately \$4,500,000.

Economic Factors and Next Year's Budget and Rates

The Grundy Center City Council took action on next year's budget by the March 15, 2004 deadline. In preparing the budget, tax levy rate, and charges for services they considered many items such as reduced funding from the State of Iowa, increasing healthcare costs for employees and the pay raise for employees. Also, a rate study completed by Fox Engineering LLC was completed and the water and sewer rates were readjusted to insure the fiscal

year's budget by the March 15, 2004 deadline. for services they considered many items such as healthcare costs for employees and the pay raise for employees. Also, a rate study completed by Fox Engineering LLC was completed and the water and sewer rates were readjusted to insure the fiscal

ncil voted to increase the budgeted expenditures. After taking all factors into consideration the Council voted to increase the budgeted expenditures by \$661,209 to \$10,139,167. Included in these amounts are amounts for the Grundy Center Electric and Communications Utilities. However, our financial statements do not report on these operations. Along with this increase the tax levy rate was increased by 3.6% from \$14.21387 to \$14.72137 per thousand dollar of taxable valuation. Most of the increase to homeowners will be offset by a decrease in the portion of the assessed value that is subject to property taxes.

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Nonew major programs are anticipated in the next year. There will be significant expenditure increases for painting the water tower, buying equipment, street maintenance, and other capital projects.

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Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Richard Riesberg, City Clerk, 703 F Avenue, Suite #2, Grundy Center, Iowa,

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BASICFINANCIALSTATEMENTS

CITY OF GRUNDY CENTER

Statement of Activities and Net Assets - Cash Basis

As of and for the Year Ended June 30, 2004

	<u>Disbursements</u>	<u>Charges for Services</u>	<u>Program Receipts</u>	
			<u>Operating Grants, Contributions, and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
FUNCTIONS/PROGRAMS:				
Governmental activities:				
Public safety	\$ 269,802	\$ 8,262	\$ 914	\$ 19,974
Public works	449,217	520	222,515	-
Health and social services	4,020	-	-	-
Culture and recreation	291,491	80,202	47,060	16,650
Community and economic development	185,187	2,260	18,985	125,433
General government	173,380	3,755	3,061	-
Debt service	52,413	-	-	-
Capital projects	<u>144,579</u>	<u>-</u>	<u>1,866</u>	<u>-</u>
Total governmental activities	<u>1,570,089</u>	<u>94,999</u>	<u>294,401</u>	<u>162,057</u>
Business-type activities:				
Water	381,139	317,935	17,781	-
Sewer	292,009	176,170	40,317	-
Sanitation	199,016	215,411	2,280	-
Ambulance	<u>45,209</u>	<u>93,968</u>	<u>17,090</u>	<u>-</u>
Total business-type activities	<u>917,373</u>	<u>803,484</u>	<u>77,468</u>	<u>-</u>
Total	<u>2,487,462</u>	<u>898,483</u>	<u>371,869</u>	<u>162,057</u>
GENERAL RECEIPTS:				
Property taxes levied for:				
General purposes				
Employee benefits				
Tax increment financing				
Debt service				
Other city tax				
Local options sales tax				
Special assessments				
Grants and contributions not restricted to specific purposes				
Unrestricted interest on investments				

**Net(Disbursements)Receiptsand
ChangeinCashBasisNetAssets**

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
\$ (240,652)	\$ -	\$ (240,652)
(226,182)	-	(226,182)
(4,020)	-	(4,020)
(147,579)	-	(147,579)
(38,509)	-	(38,509)
(166,564)	-	(166,564)
(52,413)	-	(52,413)
<u>(142,713)</u>	<u>-</u>	<u>(142,713)</u>
<u>(1,018,632)</u>	<u>-</u>	<u>(1,018,632)</u>
-	(45,423)	(45,423)
-	(75,522)	(75,522)
-	18,675	18,675
<u>-</u>	<u>65,849</u>	<u>65,849</u>
<u>-</u>	<u>(36,421)</u>	<u>(36,421)</u>
<u>(1,018,632)</u>	<u>(36,421)</u>	<u>(1,055,053)</u>
492,030	-	492,030
187,944	-	187,944
92,622	-	92,622
32,828	-	32,828
73,162	-	73,162
67,190	-	67,190
36,761	-	36,761
19,092	7,933	27,025
8,597	24,279	32,876

(continued)

CITY OF GRUNDY CENTER

Statement of Activities and Net Assets - Cash Basis

As of and for the Year Ended June 30, 2004

		<u>Program Receipts</u>	
		<u>Operating</u>	<u>Capital</u>
		<u>Grants,</u>	<u>Grants,</u>
		<u>Contributions,</u>	<u>Contributions</u>
		<u>and Restricted</u>	<u>and Restricted</u>
	<u>Disbursements</u>	<u>Interest</u>	<u>Interest</u>
Bond proceeds			
Sale of capital assets			
Miscellaneous			
Transfers			
Total general receipts and transfers			
CHANGE IN CASH BASIS NET ASSETS			
CASH BASIS NET ASSETS, BEGINNING			
CASH BASIS NET ASSETS, ENDING			
CASH BASIS NET ASSETS:			
Restricted:			
Streets			
Urban renewal purposes			
Debt service			
Other purposes			
Unrestricted			
TOTAL CASH BASIS NET ASSETS			

**Net(Disbursements)Receiptsand
ChangeinCashBasisNetAssets**

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
268,000	-	268,000
5,801	7,500	13,301
50,150	29,993	80,143
<u>(34,786)</u>	<u>34,786</u>	<u>-</u>
<u>1,299,391</u>	<u>104,491</u>	<u>1,403,882</u>
280,759	68,070	348,829
<u>506,231</u>	<u>1,017,531</u>	<u>1,523,762</u>
<u>\$ 786,990</u>	<u>\$ 1,085,601</u>	<u>\$ 1,872,591</u>

\$ 316,973	\$ -	\$ 316,973
11,013	-	11,013
3,373	-	3,373
450,756	822,802	1,273,558
<u>4,875</u>	<u>262,799</u>	<u>267,674</u>
<u>\$ 786,990</u>	<u>\$ 1,085,601</u>	<u>\$ 1,872,591</u>

These financial statements should be read only in connection
with the accompanying notes to the financial statements.

CITY OF GRUNDY CENTER

Statement of Cash Receipts, Disbursements and Changes in Cash Balances - Governmental Funds

As of and For the Year Ended June 30, 2004

		<u>Special Revenue</u>		<u>Capital Projects</u>
	<u>General</u>	<u>Road Use Tax</u>	<u>Special Revenue</u>	<u>Continuing Projects</u>
RECEIPTS:				
Property tax	\$ 492,030	\$ -	\$ 187,944	\$ -
Tax increment financing collections	-	-	-	-
Other city tax	72,209	-	-	-
Licenses and permits	6,015	-	-	-
Use of money and property	27,572	-	1,522	-
Intergovernmental	38,756	216,214	-	-
Special assessments	-	-	-	-
Charges for services	60,440	-	-	-
Miscellaneous	<u>68,055</u>	<u>-</u>	<u>-</u>	<u>1,931</u>
Total receipts	<u>765,077</u>	<u>216,214</u>	<u>189,466</u>	<u>1,931</u>
DISBURSEMENTS:				
Operating:				
Public safety	264,194	-	-	-
Public works	241,737	192,180	-	-
Health and social services	4,020	-	-	-
Culture and recreation	279,164	-	-	-
Community and economic development	10,570	-	-	-
General government	173,380	-	-	-
Debt service	-	-	-	-
Capital projects	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,623</u>
Total disbursements	<u>973,065</u>	<u>192,180</u>	<u>-</u>	<u>18,623</u>
Excess (deficiency) of receipt over (under) disbursements	<u>(207,988)</u>	<u>24,034</u>	<u>189,466</u>	<u>(16,692)</u>
OTHER FINANCING SOURCES (USES) :				
Bond proceeds	-	-	268,000	-
Sale of property	2,601	-	-	-
Operating transfers in	219,619	11,860	-	15,072
Operating transfers out	<u>(43,832)</u>	<u>(14,164)</u>	<u>(206,729)</u>	<u>(9,856)</u>
Net other financing sources (uses)	<u>178,388</u>	<u>(2,304)</u>	<u>(206,729)</u>	<u>273,216</u>

Other Nonmajor Governmental Funds	Totals
\$ 125,449	\$ 805,423
-	-
67,325	139,534
-	6,015
15,130	44,224
125,433	380,403
36,762	36,762
19,974	80,414
<u>51,851</u>	<u>121,837</u>
<u>441,924</u>	<u>1,614,612</u>
5,608	269,802
15,300	449,217
-	4,020
12,327	291,491
174,617	185,187
-	173,380
52,413	52,413
<u>125,956</u>	<u>144,579</u>
<u>386,221</u>	<u>1,570,089</u>
<u>55,703</u>	<u>44,523</u>
-	268,000
3,200	5,801
54,668	301,219
<u>(64,203)</u>	<u>(338,784)</u>
<u>(6,335)</u>	<u>236,236</u>

(continued)

CITYOFGRUNDYCENTER

**StatementofCashReceipts,Disbursements
andChangesinCashBalances-GovernmentalFunds**

As of and For the Year Ended June 30, 2004

	<u>SpecialRevenue</u>			<u>Capital Projects</u>
	<u>General</u>	<u>RoadUse Tax</u>	<u>Special Revenue</u>	<u>Continuing Projects</u>
NETCHANGEINCASHBALANCE	(29,600)	21,730	(17,263)	256,524
CASHBALANCE,BEGINNING	<u>34,475</u>	<u>295,243</u>	<u>28,170</u>	<u>15,197</u>
CASHBALANCE,ENDING	\$ <u>4,875</u>	<u>\$ 316,973</u>	<u>\$ 10,907</u>	<u>\$ 271,721</u>
CASHBASISFUNDBALANCE :				
Reserved:				
Debt service	\$ -	\$ -	\$ -	\$ -
Unreserved:				
General	4,875	-	-	-
Special revenue funds	-	316,973	10,907	-
Capital project funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>271,721</u>
Total cash basis fund balance	\$ <u>4,875</u>	<u>\$ 316,973</u>	<u>\$ 10,907</u>	<u>\$ 271,721</u>

Other Nonmajor Governmental Funds	Totals
49,368	280,759
<u>133,146</u>	<u>506,231</u>
<u>\$ 182,514</u>	<u>\$ 786,990</u>

\$ 3,373	\$ 3,373
-	4,875
71,961	399,841
<u>107,180</u>	<u>378,901</u>
<u>\$ 182,514</u>	<u>\$ 786,990</u>

These financial statements should be read only in connection with the accompanying notes to the financial statements.

CITY OF GRUNDY CENTER

Statement of Cash Receipts, Disbursements, and Changes in Cash Balances-Proprietary Funds

As of and For the Year Ended June 30, 2004

	<u>Enterprise</u>			
	<u>Water</u>	<u>Sanitary Sewer</u>	<u>Sanitary Sewer Reserve</u>	<u>Sanitation</u>
OPERATING RECEIPTS :				
Intergovernmental	\$ 2,782	\$ 15,696	\$ -	\$ 2,280
Charges for services	299,935	176,170	-	178,161
Miscellaneous	<u>651</u>	<u>20,474</u>	<u>-</u>	<u>37,582</u>
Total operating receipts	<u>303,368</u>	<u>212,340</u>	<u>-</u>	<u>218,023</u>
OPERATING DISBURSEMENTS :				
Business type activities:				
Water	377,176	-	-	-
Sewer	-	247,602	44,407	-
Sanitation	-	-	-	196,374
Ambulance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating disbursements	<u>377,176</u>	<u>247,602</u>	<u>44,407</u>	<u>196,374</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>(73,808)</u>	<u>(35,262)</u>	<u>(44,407)</u>	<u>21,649</u>
NONOPERATING RECEIPTS (DISBURSEMENTS) :				
Interest on investments	15,000	1,186	41,273	1,692
Debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net nonoperating receipts (disbursements)	<u>15,000</u>	<u>1,186</u>	<u>41,273</u>	<u>1,692</u>
Excess (deficiency) of receipt over (under) disbursements	<u>(58,808)</u>	<u>(34,076)</u>	<u>(3,134)</u>	<u>23,341</u>
OTHER FINANCING SOURCES (USES):				
Sale of real property	-	-	-	-
Operating transfers in	71,700	9,981	8,337	2,514
Operating transfers out	<u>-</u>	<u>(9,430)</u>	<u>-</u>	<u>-</u>
Net other financing sources (uses)	<u>71,700</u>	<u>551</u>	<u>8,337</u>	<u>2,514</u>

<u>Funds</u>		
<u>Sanitation Reserve</u>	<u>Nonmajor Enterprise Funds</u>	<u>Totals</u>
\$ -	\$ 14,311	\$ 35,069
-	111,968	766,234
<u>260</u>	<u>8,275</u>	<u>67,242</u>
<u>260</u>	<u>134,554</u>	<u>868,545</u>
-	3,963	381,139
-	-	292,009
2,642	-	199,016
<u>-</u>	<u>45,209</u>	<u>45,209</u>
<u>2,642</u>	<u>49,172</u>	<u>917,373</u>
<u>(2,382)</u>	<u>85,382</u>	<u>(48,828)</u>
7,451	5,231	71,833
<u>-</u>	<u>-</u>	<u>-</u>
<u>7,451</u>	<u>5,231</u>	<u>71,833</u>
<u>5,069</u>	<u>90,613</u>	<u>23,005</u>
7,500	-	7,500
9,388	10,075	111,995
<u>-</u>	<u>(65,000)</u>	<u>(74,430)</u>
<u>16,888</u>	<u>(54,925)</u>	<u>45,065</u>

(continued)

CITY OF GRUNDY CENTER

**Statement of Cash Receipts, Disbursements, and
Changes in Cash Balances - Proprietary Funds**

As of and For the Year Ended June 30, 2004

	<u>Enterprise</u>			
	<u>Water</u>	<u>Sanitary Sewer</u>	<u>Sanitary Sewer Reserve</u>	<u>Sanitation</u>
NET CHANGE IN CASH BALANCE	12,892	(33,525)	5,203	25,855
CASH BALANCE, BEGINNING	<u>(2,659)</u>	<u>97,608</u>	<u>424,821</u>	<u>85,623</u>
CASH BALANCE, ENDING	<u>\$ 10,233</u>	<u>\$ 64,083</u>	<u>\$ 430,024</u>	<u>\$ 111,478</u>
CASH BASIS FUND BALANCE :				
Reserved:				
Capital improvements	\$ -	\$ -	\$ 430,024	\$ -
Unreserved	<u>10,233</u>	<u>64,083</u>	<u>-</u>	<u>111,478</u>
Total cash basis fund balance	<u>\$ 10,233</u>	<u>\$ 64,083</u>	<u>\$ 430,024</u>	<u>\$ 111,478</u>

<u>Funds</u>		
<u>Sanitation Reserve</u>	<u>Nonmajor Enterprise Funds</u>	<u>Totals</u>
21,957	35,688	68,070
<u>245,871</u>	<u>166,267</u>	<u>1,017,531</u>
<u>\$ 267,828</u>	<u>\$ 201,955</u>	<u>\$ 1,085,601</u>
\$ 267,828	\$ 124,950	\$ 822,802
<u>-</u>	<u>77,005</u>	<u>262,799</u>
<u>\$ 267,828</u>	<u>\$ 201,955</u>	<u>\$ 1,085,601</u>

These financial statements should be read only in connection with the accompanying notes to the financial statements.

CITY OF GRUNDY CENTER

Notes to Financial Statements

June 30, 2004

(1) Summary of Significant Accounting Policies

The City of Grundy Center is a political subdivision of the State of Iowa located in Grundy County. It was first incorporated in 1877 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services.

A. Reporting Entity

For financial reporting purposes, the City of Grundy Center has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These financial statements present the City of Grundy Center and its component units, except for the Grundy Center Municipal Light and Power Company. This component unit discussed below should be included in the City's reporting entity because of the significance of its operational and financial relationship with the City. Complete financial statements of the Grundy Center Municipal Light and Power Company can be obtained from its administration office.

The Grundy Center Municipal Light and Power Company is legally separate from the City, but is financially accountable to the City. The Utility is governed by a three-member board of trustees appointed by the Mayor with approval by the City Council, and the Utility's operating budget is subject to the approval of the City Council.

Jointly Governed Organizations

The City of Grundy Center also participates in jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the Grundy County Landfill Commission and the Sports Recreation Complex in conjunction with the Grundy Center Community School District.

CITY OF GRUNDY CENTER

Notes to Financial Statements

June 30, 2004

(1) Summary of Significant Accounting Policies (continued):

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

CITY OF GRUNDY CENTER

Notes to Financial Statements

June 30, 2004

(1) Summary of Significant Accounting Policies (continued):

B. Basis of Presentation (continued)

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Special Revenue Fund is used for collection of special taxes.

Capital Projects:

The Continuing Project Fund is utilized to account for transactions involved in the City's capital projects.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sanitary Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Sanitary Sewer Reserve Fund accounts for the City's long-term capital needs.

The Sanitation Fund accounts for operation of the City's garbage collection.

The Sanitation Reserve Fund accounts for the City's long-term capital needs.

C. Measurement Focus and Basis of Accounting

The City of Grundy Center maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable, and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing revenue from the fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements exceeded the amounts budgeted in the public works function.

CITY OF GRUNDY CENTER

Notes to Financial Statements

June 30, 2004

(2) Cash and Pooled Investments

The City's deposits at June 30, 2004, were entirely by the State Sinking Fund in accordance with Chapter 12 of the Code of Iowa. This chapter provides for additional assessments against the deposits of public funds.

covered by federal depository insurance or Chapter 12 of the Code of Iowa. This chapter requires depositories to insure there will be no loss of

The City is authorized by statute to invest public government, its agencies and instrumentalities; certificates of deposit at federally insured depository institutions approved by the City Council and the Treasurer of the State of Iowa; prime eligible bank deposits; certain high-rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposits approved by the City Council and the Treasurer of the State of Iowa; prime eligible bank deposits; certain high-rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates

The City's investments are categorized to give an indication of the level of risk assumed by the City at year end. The City's investments are all categorized 1, which means that the investments are insured or registered or these securities are held by the City or its agent in the City's name. The City's sinking fund balances are deposited in certificates of deposit, savings, and checking accounts.

ndication of the level of risk assumed by the City at year end. The City's investments are all categorized 1, which means that the investments are insured or registered or these securities are held by the City or its agent in the City's name. The City's sinking fund balances are deposited in certificates of deposit, savings, and checking accounts.

(3) Bonds and Notes Payable

The annual debt service requirements to maturity of general obligation bonds and notes and tax increment financing bonds are as follows:

general obligation bonds and notes and tax

	General Obligation Bonds/Notes		Tax Increment Financing (TIF) Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 49,839	\$ 18,942	\$ 34,715	\$ 31,626	\$ 84,554	\$ 50,568
2006	48,000	18,340	33,656	33,829	81,656	52,169
2007	48,000	17,740	54,493	31,124	102,493	48,864
2008	48,000	17,110	58,096	27,523	106,096	44,633
2009	53,000	16,450	62,017	23,600	115,017	40,050
2010	53,000	15,530	66,173	19,445	119,173	34,975
2011	50,000	14,570	56,428	15,102	106,428	29,672
2012	55,000	12,120	43,459	11,970	98,459	24,090
2013	55,000	9,370	36,928	9,557	91,928	18,927
2014	60,000	6,565	39,060	7,425	99,060	13,990
2015	65,000	3,445	41,319	5,167	106,319	8,612
2016	-	-	30,697	2,931	2,30,697	2,931
2017	-	-	32,765	1,336	32,765	1,336
	<u>\$584,839</u>	<u>\$150,182</u>	<u>\$589,806</u>	<u>\$220,635</u>	<u>\$1,174,645</u>	<u>\$370,817</u>

CITY OF GRUNDY CENTER

Notes to Financial Statements

June 30, 2004

(3) Bonds and Notes Payable (continued)

The urban renewal tax increment financing revenue bonds were issued for the purpose of defraying a portion of the costs of carrying out an urban renewal project of the City. The bonds are payable solely from the income and proceeds of the Urban Renewal Tax Increment Fund and the taxes to be paid into the fund in accordance with Chapter 403.19 of the Code of Iowa. The proceeds of the urban renewal tax increment financing revenue bonds shall be expended only for purposes which are consistent with the plans of the City's urban renewal area. The bonds are not a general obligation of the City, however the debt is subject to the constitutional debt limitation of the City.

(4) Capital Leases

The City of Grundy Center is the lessee of various equipment under capital leases through the fiscal year ending June 30, 2006, with interest rates ranging from 6.00% to 7.00%. Minimum future lease payments under capital leases as of June 30, 2004 for each of the next two years are:

June 30, 2005	\$ 22,568
June 30, 2006	<u>6,605</u>
Total minimum lease payments	29,173
Less amount representing interest	<u>1,124</u>
Present value of net minimum lease payments	\$ <u>28,049</u>

(5) Interfund Loan

The City has authorized the use of Enterprise Fund - Sewer Reserve resources to help finance the construction of the new city hall building. At June 30, 2004, \$210,519 is due from the General Fund - General Government. Interest is to be charged at the rate of 3.5% on all outstanding balances. The loan is to be repaid from annual department appropriations of approximately \$21,500.

The City has authorized the use of Enterprise Fund - Sanitation Reserve resources to help finance the construction of public improvements in the Borden Business Park. At June 30, 2004, \$6,488 is due from the Capital Projects Fund. The loan is to be repaid from special assessment collections collected through the special assessment to Borden Business Park property owners.

The City has authorized the use of Enterprise Fund - Sanitation Reserve, Enterprise Fund - Sewer Reserve, and Enterprise Fund - Water Reserve resources to help finance the Special Assessments - Capital Projects Fund. At June 30, 2004, \$110,391 is due from the Capital Projects - Special Assessments Fund. The loan is expected to be repaid from annual special assessment collections from property owners of the Blue Sky Development.

CITY OF GRUNDY CENTER

Notes to Financial Statements

June 30, 2004

(6) Deficit Fund Balance

The following fund-accounts had deficit fund balances at June 30, 2004:

Special Revenue-Special Assessments	\$ (12,140)
Capital Projects-Sports Recreation Complex	(62,973)
Capital Projects-Housing Rehabilitation	(15,810)
Visioning Grant Fund	(100)

(7) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and requires supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the City is required to contribute 5.75% of annual covered payroll except for police employees, in which case the percentages are 5.93% and 8.90%, respectively. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$39,253, \$33,321 and \$37,486, respectively, which is equal to the required contribution for each year.

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all permanent employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the City (without being restricted to the provisions of the benefits under the plan), subject only to the claims of the City's general creditors. Participants' rights under the plan are equal to those of general creditors of the City in an amount equal to the fair market value of the deferred account for each participant.

CITY OF GRUNDY CENTER

Notes to Financial Statements

June 30, 2004

(8) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and sick leave hours based on the length of employment. Sick leave is not a vested benefit. It is payable when used and may be accumulated at the rate of nine days per year, to a maximum of 90 days. At termination, all sick leave accumulated but unused is forfeited, except for employees with 15 years of full-time employment shall be entitled to 20% of the value of their sick leave balance. Vacation is payable when used and must be used within 12.5 months of the vesting date. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation termination payments payable to employees at June 30, 2004, is \$41,974.

(9) Early Retirement Policy

In September, 1990, the City of Grundy Center adopted an early retirement policy for all qualifying employees. Any employee, after reaching the age of 62, whose combined age and years of service to the City as an employee equal or exceed the number 92 will, in the event of their retirement prior to age 65, be entitled to receive from the City full medical insurance benefits until they reach the age of 65. Benefits provided by such insurance will be comparable to those available to Bargaining Unit employees within the City during the applicable period of time.

The estimated liability for these benefits has not been determined.

(10) Self Insured Health Insurance Costs

Effective January 1, 1999 the City increased its group health insurance plan deductible from \$100/200 for single/family to \$1,000/2,000, respectively. In order to offset employee out-of-pocket costs, the City has agreed to reimburse 80% of the deductible increase. This plan is administered through its commercial insurance carrier and is funded on a monthly basis.

(11) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue: Employer's Contribution	\$ 206,729
General	Special Revenue: Road Use Tax	12,889
Special Revenue: Road Use Tax	General	11,860

CITY OF GRUNDY CENTER**Notes to Financial Statements****June 30, 2004****(11) Interfund Transfers (continued)**

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Special Assessments	Debt Service	34,657
Special Revenue: TIF Projects	General	691
Debt Service	Capital Projects: Continuing Projects	9,856
Capital Projects: Continuing Projects	General	885
Capital Projects: Continuing Projects	Special Revenue: Road Use Tax	1,275
Capital Projects: Continuing Projects	Special Revenue: TIF Projects	3,483
Capital Projects: Continuing Projects	Enterprise: Sewer	9,430
Capital Projects: Sports Recreation Complex	General	415
Capital Projects: Equipment Reserve	General	4,049
Capital Projects: Police Reserve	General	5,000
Enterprise: Water	General	6,700
Enterprise: Water	Enterprise: Water Reserve	65,000
Enterprise: Water Reserve	Special Revenue: Special Assessments	8,338
Enterprise: Sewer	General	9,981

CITY OF GRUNDY CENTER

Notes to Financial Statements

June 30, 2004

(11) Interfund Transfers (continued)

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Enterprise: Sewer Reserve	Special Revenue: Special Assessments	8,337
Enterprise: Sanitation	General	2,514
Enterprise: Sanitation Reserve	Special Revenue: Special Assessments	9,388
Enterprise: Ambulance	General	<u>1,737</u>
		<u>\$ 413,214</u>

Transfers generally move resources from the fund that is statutorily required to disburse the resources to the fund that is statutorily required to collect the resources.

(12) Risk Management

The City of Grundy Center is exposed to various risks of loss related to torts; theft, damage to property; errors and omissions; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(13) Landfill Commitment

The City of Grundy Center participates in a 28E organization with Grundy County and other cities in Grundy County. This organization is the Grundy County Landfill Commission. The estimated cost of closure and post-closure care is approximately \$899,000 of which \$587,000 has been funded. The City of Grundy Center will share in these costs on a per capita basis with other participants in the 28E organization. The City's share of those costs is \$185,700.

CITY OF GRUNDY CENTER

Notes to Financial Statements

June 30, 2004

(14) Accounting Change and Restatements

Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*; Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments; Omnibus*; Statement No. 38, *Certain Financial Statement Note Disclosures*; and Statement No. 41, *Budgetary Comparison Schedule - Perspective Differences*, were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the City's financial activities. The financial statements now include a government-wide financial statement and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

This information is an integral part of the accompanying financial statements.

REQUIRESUPPLEMENTARYINFORMATION

CITY OF GRUNDY CENTER

Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Balances - Budget to Actual (Cash Basis) - All Governmental Funds and Proprietary Funds Required Supplementary Information

Year Ended June 30, 2004

	<u>Governmental Funds Actual</u>	<u>Proprietary Funds Actual</u>	<u>Less Funds Not Required to be Budgeted</u>	<u>Net</u>
RECEIPTS:				
Property tax	\$ 712,802	\$ -	\$ -	\$ 712,802
Tax increment financing collections	92,621	-	-	92,621
Other city tax	139,534	-	-	139,534
Licenses and permits	6,015	-	-	6,015
Use of money and property	44,224	71,833	-	116,027
Intergovernmental	380,403	35,069	-	415,472
Charges for services	80,414	766,234	-	846,648
Special assessments	36,762	-	-	36,762
Miscellaneous	<u>121,837</u>	<u>67,242</u>	<u>-</u>	<u>189,079</u>
Total receipts	1,614,612	940,378	-	2,554,990
DISBURSEMENTS:				
Public safety	269,802	-	-	269,802
Public works	449,217	-	-	449,217
Health and social services	4,020	-	-	4,020
Culture and recreation	291,491	-	2	91,491
Community and economic development	185,187	-	-	185,187
General government	173,380	-	-	173,380
Debt service	52,413	-	-	52,413
Capital projects	144,579	-	-	144,579
Business type activities	<u>-</u>	<u>917,373</u>	<u>-</u>	<u>917,373</u>
Total disbursements	1,570,089	917,373	-	2,487,462
Excess (deficiency) of receipts over (under) disbursements	44,523	23,005	-	67,528
OTHER FINANCING SOURCES, NET	<u>236,236</u>	<u>45,065</u>	<u>-</u>	<u>281,301</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	280,759	68,070	-	348,829
BALANCES BEGINNING OF YEAR	<u>506,231</u>	<u>1,017,531</u>	<u>-</u>	<u>1,523,762</u>
BALANCES END OF YEAR	<u>\$ 786,990</u>	<u>\$ 1,085,601</u>	<u>\$ -</u>	<u>\$ 1,872,591</u>

<u>Budgeted Amounts</u>		<u>Final to</u>
<u>Original</u>	<u>Final</u>	<u>Total</u>
		<u>Variance</u>
\$ 711,206	\$ 711,206	\$ 1,596
98,500	98,500	(5,879)
128,550	130,550	8,984
8,250	8,250	(2,235)
147,654	147,654	(31,627)
538,950	496,950	(81,478)
563,450	580,444	266,204
35,100	35,100	1,662
<u>524,192</u>	<u>524,192</u>	<u>(335,113)</u>
<u>2,755,852</u>	<u>2,732,846</u>	<u>(177,856)</u>
288,261	281,588	11,786
339,171	331,924	(117,293)
4,245	4,067	47
306,474	306,425	14,934
110,088	109,920	(75,267)
200,700	199,270	25,890
193,313	193,313	140,900
495,810	495,810	351,231
<u>1,141,071</u>	<u>1,141,071</u>	<u>223,698</u>
<u>3,079,133</u>	<u>3,063,388</u>	<u>575,926</u>
(323,281)	(330,542)	398,070
<u>50,000</u>	<u>50,000</u>	<u>231,301</u>
(273,281)	(280,542)	629,371
<u>1,624,404</u>	<u>1,624,404</u>	<u>(100,642)</u>
<u>\$1,351,123</u>	<u>\$1,343,862</u>	<u>\$ 528,729</u>

CITY OF GRUNDY CENTER

Notes to Required Supplementary Information- Budgetary Reporting

Year Ended June 30, 2004

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functional areas are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted included disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments decreased budget disbursements by \$15,745. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2004, disbursements exceeded the amounts budgeted in the public works and Community and Economic Development functions.

OTHER SUPPLEMENTARY INFORMATION

CITY OF GRUNDY CENTER

**Statement of Cash Receipts, Disbursements
and Changes in Cash Balances**

Nonmajor Governmental Funds

As of and For the Year Ended June 30, 2004

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals</u>
RECEIPTS:				
Property tax	\$ 92,621	\$ 32,828	\$ -	\$ 125,449
Other city tax	-	135	67,190	67,325
Use of money and property	2,093	707	12,330	15,130
Intergovernmental	-	-	125,433	125,433
Special assessments	-	36,762	-	36,762
Charges for services	-	-	19,974	19,974
Miscellaneous	<u>29,591</u>	<u>-</u>	<u>22,260</u>	<u>51,851</u>
Total receipts	<u>124,305</u>	<u>70,432</u>	<u>247,187</u>	<u>441,924</u>
DISBURSEMENTS:				
Operating:				
Public safety	-	-	5,608	5,608
Public works	-	15,300	-	15,300
Culture and recreation	12,327	-	-	12,327
Community and economic development	19,273	-	155,344	174,617
Debt service	-	52,413	-	52,413
Capital projects	<u>113,356</u>	<u>-</u>	<u>12,600</u>	<u>125,956</u>
Total disbursements	<u>144,956</u>	<u>67,713</u>	<u>173,552</u>	<u>386,221</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(20,651)</u>	<u>2,719</u>	<u>73,635</u>	<u>55,703</u>
OTHER FINANCING SOURCES (USES) :				
Sale of property	3,200	-	-	3,200
Operating transfers in	35,348	9,856	9,464	54,668
Operating transfers out	<u>(29,546)</u>	<u>(34,657)</u>	<u>-</u>	<u>(64,203)</u>
Net other financing sources (uses)	<u>9,002</u>	<u>(24,801)</u>	<u>9,464</u>	<u>(6,335)</u>

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals</u>
NET CHANGE IN CASH BALANCE	(11,649)	(22,082)	83,099	49,368
CASH BALANCE, BEGINNING	<u>83,610</u>	<u>25,455</u>	<u>24,081</u>	<u>133,146</u>
CASH BALANCE, ENDING	<u>\$ 71,961</u>	<u>\$ 3,373</u>	<u>\$ 107,180</u>	<u>\$ 182,514</u>
CASH BASIS FUND BALANCE :				
Reserved:				
Debt service	\$ -	\$ 3,373	\$ -	\$ 3,373
Unreserved:				
Special revenue funds	71,961	-	-	,961
Capital project funds	<u>-</u>	<u>-</u>	<u>107,180</u>	<u>107,180</u>
Total cash basis fund balance	<u>\$ 71,961</u>	<u>\$ 3,373</u>	<u>\$ 107,180</u>	<u>\$ 182,514</u>

CITY OF GRUNDY CENTER

**Statement of Cash Receipts, Disbursements
and Changes in Cash Balances**

Nonmajor Enterprise Funds

As of and For the Year Ended June 30, 2004

	<u>Water Reserve</u>	<u>Ambulance</u>	<u>Ambulance Trust</u>	<u>Totals</u>
OPERATING RECEIPTS :				
Intergovernmental	\$ -	\$ 6,733	\$ 7,578	\$ 14,311
Charges for services	18,000	93,968	-	111,968
Miscellaneous	<u>8,254</u>	<u>21</u>	<u>-</u>	<u>8,275</u>
Total operating receipts	<u>26,254</u>	<u>100,722</u>	<u>7,578</u>	<u>134,554</u>
OPERATING DISBURSEMENTS :				
Business type activities:				
Water	3,963	-	-	3,963
Ambulance	<u>-</u>	<u>45,209</u>	<u>-</u>	<u>45,209</u>
Total operating disbursements	<u>3,963</u>	<u>45,209</u>	<u>-</u>	<u>49,172</u>
Excess (deficiency) of operating receipt over (under) disbursements	<u>22,291</u>	<u>55,513</u>	<u>7,578</u>	<u>85,382</u>
NONOPERATING RECEIPTS (DISBURSEMENTS) :				
Interest on investments	3,820	476	935	5,231
Debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net nonoperating receipts (disbursements)	<u>3,820</u>	<u>476</u>	<u>935</u>	<u>5,231</u>
Excess (deficiency) of receipt over (under) disbursements	<u>26,111</u>	<u>55,989</u>	<u>8,513</u>	<u>90,613</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	8,338	1,737	-	10,075
Operating transfers out	<u>(65,000)</u>	<u>-</u>	<u>-</u>	<u>(65,000)</u>
Net other financing sources (uses)	<u>(56,662)</u>	<u>1,737</u>	<u>-</u>	<u>(54,925)</u>

	<u>Water Reserve</u>	<u>Ambulance</u>	<u>Ambulance Trust</u>	<u>Totals</u>
NETCHANGEINCASHBALANCE	(30,551)	57,726	8,513	35,688
CASHBALANCE,BEGINNING	<u>87,566</u>	<u>19,279</u>	<u>59,422</u>	<u>166,267</u>
CASHBALANCE,ENDING	<u>\$ 57,015</u>	<u>\$ 77,005</u>	<u>\$ 67,935</u>	<u>\$ 201,955</u>
CASHBASISFUNDBALANCE :				
Reserved:				
Capitalimprovement	\$ 57,015	\$ -	\$ 67,935	\$ 124,950
Unreserved	<u>-</u>	<u>77,005</u>	<u>-</u>	<u>77,005</u>
 Totalcashbasisfundbalance	 \$ <u>57,015</u>	 \$ <u>77,005</u>	 \$ <u>67,935</u>	 \$ <u>201,955</u>

CITY OF GRUNDY CENTER

**Statement of Cash Receipts, Disbursements
and Changes in Cash Balances**

Nonmajor Special Revenue Funds

As of and For the Year Ended June 30, 2004

	<u>Library Gift Trust</u>	<u>Park Board Gift Trust</u>	<u>Community Center Gift Trust</u>	<u>Ambulance Gift Trust</u>
RECEIPTS:				
Property tax	\$ -	\$ -	\$ -	
Use of money and property	751	168	119	19
Miscellaneous	<u>8,313</u>	<u>279</u>	<u>291</u>	<u>2,760</u>
Total receipts	<u>9,064</u>	<u>447</u>	<u>410</u>	<u>2,779</u>
DISBURSEMENTS:				
Operating:				
Culture and recreation	8,162	-	4,165	-
Community and economic development	-	-	-	
Capital projects	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total disbursements	<u>8,162</u>	<u>-</u>	<u>4,165</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	<u>902</u>	<u>447</u>	<u>(3,755)</u>	<u>2,779</u>
OTHER FINANCING SOURCES (USES):				
Sale of property	-	-	-	
Operating transfers in	-	-	-	
Operating transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN CASH BALANCE	902	447	(3,755)	2,779
CASH BALANCE, BEGINNING	<u>48,321</u>	<u>11,229</u>	<u>8,752</u>	<u>1,341</u>
CASH BALANCE, ENDING	<u>\$ 49,223</u>	<u>\$ 11,676</u>	<u>\$ 4,997</u>	<u>\$ 4,120</u>
CASH BASIS FUND BALANCE:				
Unreserved:				
Special revenue funds	<u>\$ 49,223</u>	<u>\$ 11,676</u>	<u>\$ 4,997</u>	<u>\$ 4,120</u>

<u>Tree Gift Trust</u>	<u>Visioning Grant</u>	<u>Admin- Economic Dev Gift</u>	<u>TIF Projects</u>	<u>Special Assessments Projects</u>	<u>Totals</u>
\$ - \$ 1,036 <u>10,800</u>	- \$ - <u>-</u>	- \$ 92,621 <u>7,148</u>	\$ - \$ - <u>-</u>	\$ 92,6 2,093 <u>-</u>	21 <u>29,591</u>
<u>11,836</u>	<u>-</u>	<u>7,148</u>	<u>92,621</u>	<u>-</u>	<u>124,305</u>
-	-	-	-	12,327	
10,201 <u>-</u>	1,874 <u>-</u>	7,198 <u>-</u>	- <u>104,762</u>	- <u>8,594</u>	19,273 <u>113,356</u>
<u>10,201</u>	<u>1,874</u>	<u>7,198</u>	<u>104,762</u>	<u>8,594</u>	<u>144,956</u>
<u>1,635</u>	<u>(1,874)</u>	<u>(50)</u>	<u>(12,141)</u>	<u>(8,594)</u>	<u>(20,651)</u>
- - <u>-</u>	- - <u>-</u>	- 3,200 691 <u>-</u>	- 34,657 (3,483) <u>408</u>	3,200 35,348 (26,063) <u>8,594</u>	 <u>(29,546)</u> <u>9,002</u>
1,635	(1,874)	(50)	(11,733)	-	(11,649)
<u>1,537</u>	<u>1,774</u>	<u>50</u>	<u>22,746</u>	<u>(12,140)</u>	<u>83,610</u>
<u>\$ 3,172</u>	<u>\$ (100)</u>	<u>\$ -</u>	<u>\$ 11,013</u>	<u>\$ (12,140)</u>	<u>\$ 71,961</u>
<u>\$ 3,172</u>	<u>\$ (100)</u>	<u>\$ -</u>	<u>\$ 11,013</u>	<u>\$ (12,140)</u>	<u>\$ 71,961</u>

CITY OF GRUNDY CENTER

**Statement of Cash Receipts, Disbursements
and Changes in Cash Balances**

Nonmajor Capital Projects Funds

As of and For the Year Ended June 30, 2004

	<u>Sports Recreation Complex</u>	<u>Swimming Pool Reserve</u>	<u>Equipment Reserve</u>	<u>Fire Equipment Reserve</u>
RECEIPTS:				
Other city taxes	\$ -	\$ -	\$ -	
Use of money and property	10,000	162	1,235	341
Intergovernmental	-	-	-	
Charges for services	-	-	19,9	74
Miscellaneous	<u>6,650</u>	<u>-</u>	<u>8,403</u>	<u>4,271</u>
Total receipts	<u>16,650</u>	<u>162</u>	<u>9,638</u>	<u>24,586</u>
DISBURSEMENTS:				
Public safety	-	-	-	
Community and economic development	-	-	-	-
Capital projects	<u>6,724</u>	<u>3,855</u>	<u>-</u>	<u>2,021</u>
Total disbursements	<u>6,724</u>	<u>3,855</u>	<u>-</u>	<u>2,021</u>
Excess (deficiency) of receipts over (under) disbursements	<u>9,926</u>	<u>(3,693)</u>	<u>9,638</u>	<u>22,565</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	415	-	4,049	-
Operating transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net other financing sources (uses)	<u>415</u>	<u>-</u>	<u>4,049</u>	<u>-</u>
NET CHANGE IN CASH BALANCE	10,341	(3,693)	13,687	22,565
CASH BALANCE, BEGINNING	<u>(73,314)</u>	<u>12,170</u>	<u>74,085</u>	<u>15,690</u>
CASH BALANCE, ENDING	<u>\$ (62,973)</u>	<u>\$ 8,477</u>	<u>\$ 87,772</u>	<u>\$ 38,255</u>
CASH BASIS FUND BALANCE:				
Unreserved:				
Capital project funds	<u>\$ (62,973)</u>	<u>\$ 8,477</u>	<u>\$ 87,772</u>	<u>\$ 38,255</u>

<u>Grundy Center Police Reserve</u>	<u>Grundy Center Fire Auxiliary</u>	<u>Community Betterment</u>	<u>Housing Rehabili- tation</u>	<u>D&D Program</u>	<u>Totals</u>
\$ - \$	- \$	67,190	\$ -	\$ - \$	67,1 90
35	-	557	-	-	12,330
-	-	125,433	-	125,433	
-	-	-	-	19,974	
<u>1,881</u>	<u>-</u>	<u>1,055</u>	<u>-</u>	<u>-</u>	<u>22,260</u>
<u>1,916</u>	<u>-</u>	<u>68,802</u>	<u>125,433</u>	<u>-</u>	<u>247,187</u>
5,608	-	-	-	5,608	
-	-	44,234	111,110	155,344	
-	-	-	-	-	12,600
<u>5,608</u>	<u>-</u>	<u>44,234</u>	<u>111,110</u>	<u>-</u>	<u>173,552</u>
<u>(3,692)</u>	<u>-</u>	<u>24,568</u>	<u>14,323</u>	<u>-</u>	<u>73,635</u>
5,000	-	-	-	9,464	
-	-	-	-	-	-
<u>5,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,464</u>
1,308	-	24,568	14,323	-	83,099
<u>262</u>	<u>90</u>	<u>19,183</u>	<u>(30,133)</u>	<u>6,048</u>	<u>24,081</u>
<u>\$ 1,570</u>	<u>\$ 90</u>	<u>\$ 43,751</u>	<u>\$ (15,810)</u>	<u>\$ 6,048</u>	<u>\$ 107,180</u>
<u>\$ 1,570</u>	<u>\$ 90</u>	<u>\$ 43,751</u>	<u>\$ (15,810)</u>	<u>\$ 6,048</u>	<u>\$ 107,180</u>

CITYOFGRUNDYCENTER

StatementofIndebtedness

YearEndedJune30,2004

<u>Obligation</u>	<u>Dateof Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
Generalobligationloans:			
RuralEconomicDevelopment Loan	August12,1999	0.00%	\$ 330,000
StormSewerProjectLoan	June1,2002	3.75%-5.3	0% 400,000
Total			
Generalobligationnote:			
PatrolCarLoan	April22,2003	4.00%	6,000
Urbanrenewaltaxincrement financing(TIF)revenuebonds:			
Urbanrenewaltaxincrementfinancing(TIF)revenu	ebond	8.00%	200,000
Urbanrenewaltaxincrementfinancing(TIF)revenu	ebond	6.50%	135,000
Urbanrenewaltaxincrementfinancing(TIF)revenu	ebond	6.50%	55,000
Urbanrenewaltaxincrementfinancing(TIF)revenu	ebond	6.50%	57,000
Urbanrenewaltaxincrementfinancing(TIF)revenu	ebond	5.25%	268,000
Total			
Capitalleaseobligations:			
Capitallease-excavator		6.00%	115,800
Capitallease-Catloader		6.50%	67,883
Capitallease-heating/cooling		0.70%	16,50 0
Total			

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ 231,000	\$ -	\$ 33,000	\$ 198,000	\$ -	\$ -
<u>400,000</u>	<u>-</u>	<u>15,000</u>	<u>385,000</u>	<u>19,413</u>	<u>-</u>
<u>\$ 631,000</u>	<u>\$ -</u>	<u>\$ 48,000</u>	<u>\$ 583,000</u>	<u>\$ 19,413</u>	<u>\$ -</u>
<u>\$ 6,000</u>	<u>\$ -</u>	<u>\$ 4,161</u>	<u>\$ 1,839</u>	<u>\$ 202</u>	<u>\$ -</u>
\$ 138,287	\$ -	\$ 21,917	\$ 116,370	\$ 10,461	\$ -
120,579	-	9,844	110,735	6,837	-
55,000	-	7,083	47,917	1,549	-
52,443	-	5,659	46,784	4,513	-
<u>-</u>	<u>268,000</u>	<u>-</u>	<u>268,000</u>	<u>-</u>	<u>-</u>
<u>\$ 366,309</u>	<u>\$ 268,000</u>	<u>\$ 44,503</u>	<u>\$ 589,806</u>	<u>\$ 23,360</u>	<u>\$ -</u>
\$ 32,275	\$ -	\$ 25,625	\$ 6,650	\$ 1,239	\$ -
35,364	-	13,965	21,399	1,887	-
<u>4,340</u>	<u>-</u>	<u>4,340</u>	<u>-</u>	<u>314</u>	<u>-</u>
<u>\$ 71,979</u>	<u>\$ -</u>	<u>\$ 43,930</u>	<u>\$ 28,049</u>	<u>\$ 3,440</u>	<u>\$ -</u>

CITYOFGRUNDYCENTER

BondandNoteMaturities

June30,2004

GeneralObligationLoans

Yearending June30,	RuralEconomic DevelopmentLoan IssuedAugust12,1999		StormSewer ProjectLoan IssuedJune1,2002		Total
	Principal	InterestRates	Principal	InterestRates	
2005	\$ 33,000	-	\$ 15,000	3.75%	\$ 48,000
2006	33,000	-	15,000	4.00%	48,000
2007	33,000	-	15,000	4.20%	48,000
2008	33,000	-	15,000	4.40%	48,000
2009	33,000	-	20,000	4.60%	53,000
2010	33,000	-	20,000	4.80%	53,000
2011	-	-	50,000	4.90%	50,000
2012	-	-	55,000	5.00%	55,000
2013	-	-	55,000	5.10%	55,000
2014	-	-	60,000	5.20%	60,000
2015	-	-	65,000	5.30%	65,000
	<u>\$ 198,000</u>		<u>\$85,000</u>		<u>\$583,000</u>

Yearending June30,	UrbanRenewal TaxIncrement Financing(TIF)Bonds		UrbanRenewal TaxIncrement Financing(TIF)Bonds	
	Principal	InterestRates	Principal	InterestRates
2005	\$ 15,835	8.00%	\$ 7,593	6.50%
2006	15,575	8.00%	7,514	6.50%
2007	16,846	8.00%	8,010	6.50%
2008	18,221	8.00%	8,539	6.50%
2009	19,708	8.00%	9,103	6.50%
2010	21,316	8.00%	9,705	6.50%
2011	8,869	8.00%	10,346	6.50%
2012	-	-	11,029	6.50%
2013	-	-	11,758	6.50%
2014	-	-	12,534	6.50%
2015	-	-	13,363	6.50%
2016	-	-	1,241	6.50%
2017	-	-	-	-
	<u>\$ 116,370</u>		<u>\$ 110,735</u>	

General Obligation Note

Patrol Car Loan Issued April 22, 2003	
<u>Principal</u>	<u>Interest Rates</u>
\$ 1,839	4.00%
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
<u>-</u>	<u>-</u>
<u>\$ 1,839</u>	

Urban Renewal Tax Increment Financing (TIF) Bonds		Urban Renewal Tax Increment Financing (TIF) Bonds		Urban Renewal Tax Increment Financing (TIF) Bonds		<u>Total</u>
<u>Principal</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest Rates</u>	
\$ 5,734	6.50%	\$ 5,553	6.50%	\$ -	-	\$ 34,715
4,892	6.50%	5,675	6.50%	-	-	33,656
5,215	6.50%	6,050	6.50%	18,372	5.25%	54,493
5,560	6.50%	6,450	6.50%	19,326	5.25%	58,096
5,927	6.50%	6,876	6.50%	20,403	5.25%	62,017
6,319	6.50%	7,330	6.50%	21,503	5.25%	66,173
6,736	6.50%	7,815	6.50%	22,662	5.25%	56,428
7,534	6.50%	1,035	6.50%	23,861	5.25%	43,459
-	-	-	-	25,170	5.25%	36,928
-	-	-	-	26,526	5.25%	39,060
-	-	-	-	27,956	5.25%	41,319
-	-	-	-	29,456	5.25%	30,697
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,765</u>	<u>5.25%</u>	<u>32,765</u>
<u>\$ 47,917</u>		<u>\$ 46,784</u>		<u>\$ 268,000</u>		<u>\$ 589,806</u>

CITY OF GRUNDY CENTER

Schedule of Receipts by Source and Disbursements by
All Governmental Funds

For the Last Four Years

	<u>Years Ended June 30,</u>			
	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Receipts:				
Property tax	\$ 712,802	\$ 700,717	\$ 638,368	\$ 647,257
Tax increment financing collections	92,621	118,378	147,378	95,107
Other city tax	139,534	139,986	131,163	127,324
Licenses and permits	6,015	6,668	5,762	6,628
Use of money and property	44,224	133,458	152,242	2160,496
Intergovernmental	415,472	285,994	355,442	359,075
Charges for service	846,648	743,558	754,548	738,554
Special assessments	36,762	75,606	43,880	5,229
Miscellaneous	<u>189,079</u>	<u>186,161</u>	<u>166,705</u>	<u>343,982</u>
Total	<u>\$2,483,157</u>	<u>\$2,390,526</u>	<u>\$2,395,488</u>	<u>\$2,483,652</u>
Operating:				
Public safety	\$ 269,802	\$ 307,759	\$ 316,532	\$ 309,828
Public works	449,217	323,180	148,572	481,180
Health and social services	4,020	4,020	-	-
Culture and recreation	291,491	280,383	270,610	249,060
Community and economic development	185,187	149,882	176,950	150,964
General government	173,380	169,494	187,456	163,404
Debt service	52,413	52,712	33,000	91,312
Capital projects	144,579	554,850	373,642	287,877
Business type activities	<u>917,373</u>	<u>813,870</u>	<u>909,296</u>	<u>908,474</u>
Total	<u>\$2,478,462</u>	<u>\$2,656,150</u>	<u>\$2,416,058</u>	<u>\$2,642,099</u>

See accompanying independent auditor's report.

Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting

To the Honorable Mayor and
Members of the City Council
Grundy Center, Iowa

We have audited the financial statements of the City of Grundy Center, Iowa, as of and for the year ended June 30, 2004, and have issued our report thereon dated August 11, 2004, in which we rendered a qualified opinion as to the financial statements submitted by the Grundy Center Municipal Power & Light Company component unit. The financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Grundy Center's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2004, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the findings were necessarily audited. The findings involving statutory and other legal matters are not intended to constitute legal interpretation of the statutes. Prior year statutory comments have all been resolved except for items II-G-04, II-J-04, and II-K-04.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Grundy Center's internal control over financial reporting for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions are matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Grundy Center's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. There are no reportable conditions described in Part II of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which internal control structure elements does not reduce irregularities in amounts that would be material in may occur and not be detected within a timely period their assigned functions. Our consideration of the necessarily disclose all matters in the internal control accordingly, would not necessarily disclose all reportable material weaknesses as defined above. However, we of duties, as described in item I-A-04, is a material

which the design or operation of one or more of the to a relatively low level the risk that errors or relation to the financial statements being audited by employees in the normal course of performing internal control over financial reporting would not control that might be reportable conditions and, reportable conditions that are also considered to be believe that the absence of adequate segregation al weakness.

This report, a public record by law, is intended so employees and citizens of the City of Grundy Center may report. This report is not intended to specified parties.

only for the information and use of the officials, and those parties to whom the City of Grundy be and should not be used by anyone other than the

We would like to acknowledge the many courtesies and City of Grundy Center during the course of our audit of the above matters, we shall be pleased to discuss

the assistance extended to us by personnel of the t. Should you have any questions concerning any them with you at your convenience.

Clifton Gunderson LLP

Cedar Rapids, Iowa
August 11, 2004

CITY OF GRUNDY CENTER

Schedule of Findings

Year Ended June 30, 2004

Part I: Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITION:

I-A-2004 Segregation of duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent any individual employee from handling duties which are incompatible. We noted that any employee in the office can open mail, list out cash receipts, post transactions to the general ledger, make bank deposits, process invoices, prepare checks, maintain vacation and sick leave subsidiary records, maintain bond and long-term debt schedules and control blank checks. Also, the individual responsible for maintaining cash records performs the monthly cash and investment reconciliations.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should continue its review of financial transactions and reports.

Response - The City will review present internal control procedures and implement additional procedures where practical.

Conclusion - Response accepted.

Prior year reportable conditions have been resolved except for item I-A-04 described above.

CITY OF GRUNDY CENTER

Schedule of Findings

Year Ended June 30, 2004

Part II: Findings Related to Statutory Reporting

II-A-2004 Official Depositories - A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.

II-B-2004 Certified Budget - Disbursements during the year ended June 30, 2004 exceeded the amounts budgeted in the Public Works and Community and Economic Development functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation - The budgets should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The budget will be amended in the future, if applicable.

Conclusion - Response accepted.

II-C-2004 Questionable Disbursements - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-D-2004 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-E-2004 Business Transactions - We noted no business transactions between the City and City officials or employees.

II-F-2004 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should continue to be reviewed annually to insure that the coverage is adequate for current operations.

II-G-2004 Council Minutes - Although minutes of Council proceedings were published, the City did not publish disbursements by fund or a summary of all receipts.

Recommendation - The City should comply with Chapter 21 of the Code of Iowa and should publish minutes as required.

Response - We will publish and sign minutes as required.

Conclusion - Response accepted.

CITY OF GRUNDY CENTER

Schedule of Findings

Year Ended June 30, 2004

Part II: Findings Related to Statutory Reporting (continued)

- II-H-2004 Revenue Bonds - The municipal utility component unit of the City of Grundy Center is audited separately, therefore there are no revenue bonds reflected in these financial statements.
- II-I-2004 Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.
- II-J-2004 Financial Condition - The City had deficit balances in the Special Revenue - Special Assessments, Capital Projects Fund - Sports Recreation Complex, Capital Projects Fund - Housing Rehabilitation Debt Service, and the Visioning Grant Fund.
- Recommendation - The City should take appropriate action to return these funds to sound financial condition.
- Response - We will make appropriate transfers to correct the deficits.
- Conclusion - Response accepted.
- II-K-2004 TIF Tax Levy - We noted that collections for TIF tax levy were being recorded directly into the Capital Projects Fund - TIF Projects rather than into a special revenue fund as required by Chapter 403.19 of the Code of Iowa.
- Recommendation - The City should initially record TIF tax levy in a special revenue fund and then make approved transfers over to the Capital Projects Fund.
- Response - We will record tax levy into a special revenue fund in the future.
- Conclusion - Response accepted.

CITYOFGRUNDYCENTER

AuditStaff

This audit was performed by:

William E. Murray, CPA, Audit Partner

Jared Kramer, CPA, Manager

Andrew J. Johnson, Senior Associate

Justin Zimmerman, CPA, Associate